

CITY BAXTER, MINNESOTA

RESOLUTION NO. 2026-004

Resolution Supporting the Extension of the Authority to Impose a Local Sales Tax and Motor Vehicle Excise Tax to Fund Specific Capital Improvements Providing Regional Benefit, to Establish the Duration of the Tax and the Revenue to be Raised by the Tax, and to Authorize the City to Issue Bonds Supported by the Sales Tax and Motor Vehicle Excise Tax Revenue

WHEREAS, Minnesota Statutes, Section 297A.99 (the “Local Tax Act”), provides the City of Baxter, Minnesota (the “City”) with authority to impose a local sales tax and motor vehicle excise tax if those taxes are approved by the voters at a general election and the State Legislature approves the local taxes through the creation of a special law; and

WHEREAS, the Local Tax Act requires the City Council of the City (the “Council”) to adopt a resolution indicating its approval of the local taxes, outlining the details of the proposed local taxes, and setting forth the regional significance of the proposed projects prior to submitting the request for the local taxes to the State Legislature; and

WHEREAS, the Minnesota Legislature has by Minnesota Laws 2006, Chapter 259, Article 3, Section 10, as amended and extended by Minnesota Laws 2014, Chapter 308, Article 3, Sections 24 through 26 (collectively, the “Special Legislation”), authorized the City to impose a one-half of one percent (0.50%) sales and use tax within the City (the “Local Sales Tax”) and an excise tax of up to \$20 per motor vehicle within the City (the “Local Motor Vehicle Excise Tax” and, together with the Local Sales Tax, the “Local Taxes”) to provide revenues to (a) pay the cost of collecting and administering the taxes, (b) pay certain costs related to the acquisition and betterment of water and wastewater facilities to serve the cities of Brainerd and Baxter, building and equipping a fire substation, plus the costs related to the issuance, and debt service on bonds or other obligations issued by the City to finance the capital costs of the such capital projects (collectively, the “2006 Designated Projects”), and (c) fund a capital infrastructure fund to be used to finance (1) sanitary sewer, storm sewer, and water projects, (2) transportation safety improvements, and (3) improvements to the Brainerd Lakes Area Airport (collectively, the “2014 Designated Projects”), subject to approval by voters at a general election held in 2014; and

WHEREAS, at the general election held November 2, 2004, the voters of the City approved the Local Taxes to pay for the cost of collecting and administering the taxes and to pay for certain costs related to the funding of the 2006 Designated Projects (the “2004 Referendum”); and

WHEREAS, at the general election held November 4, 2014, the voters of the City approved the extension of the Local Taxes to pay for the cost of collecting and administering the taxes and to pay for certain costs related to the funding of the 2014 Designated Projects (the “2014 Referendum”); and

WHEREAS, the City projects Local Taxes generated will be sufficient to fund the 2006 Designated Projects and the 2014 Designated Projects in 2027 and the current Local Tax authorization will terminate; and

WHEREAS, the City continues to grow as a regional center for employment, retail trade, and recreation opportunities; and

WHEREAS, the City will continue to engage community residents and businesses and in order to facilitate strategic investment in the region and community, proposes to request special legislation to extend the Local Taxes approved by the voters pursuant to the Referendum and by the Legislature pursuant to the Special Legislation in order to raise revenues to fund the following three capital projects (the “Current Projects”):

1. Wastewater and Water Utility Improvements

Construction of the City’s share of required wastewater treatment plant upgrades necessary to address biosolids, PFAS, and potential nitrogen limits and construction of water-related projects to serve the growing regional trade center, including water treatment plant improvements, well construction, and a new water tower.

Projected Project Cost Funded by Local Taxes: \$51,000,000

2. Streets Impacted by Regional Highways

Construction of street infrastructure and safety improvements adjacent to and/or intersecting the Highways 371 and 210 regional corridors (frontage roads, roundabouts, signal lights, and alternative parallel streets for local traffic).

Projected Project Cost Funded by Local Taxes: \$16,000,000

3. Public Safety Improvements

Construction and equipping a new police department public safety facility to serve the City and surrounding areas.

Projected Project Cost Funded by Local Taxes: \$10,000,000

WHEREAS, the Current Projects will result in benefits to both the residents and businesses of the City and to non-resident visitors and businesses; and

WHEREAS, funding the Current Projects with Local Taxes will more closely distribute the cost of the Projects to the users of the facilities and improvements; and

WHEREAS, the Current Projects are estimated to cost approximately \$77,000,000, plus an amount equal to interest on and the costs of issuance of any bonds; and

WHEREAS, the City estimates that a Local Sales Tax of one-half of one percent (0.50%) plus a Local Motor Vehicle Excise Tax of \$20 per motor vehicle would generate \$77,000,000 over 20 years; and

WHEREAS, each Current Project has regional significance and the City has provided supporting documentation, including, but not limited to, the materials attached hereto as **Exhibit A**; and

WHEREAS, the estimated local tax revenue and estimated time needed to raise that amount of revenue for each project and a proportional amount for the estimated interest on and the costs of issuing bonds to finance each of the Current Projects is as follows:

1. Wastewater and Water Utility Improvements: Over 20 years, the City will collect approximately \$51,000,000 plus interest on and the costs of issuing bonds.
2. Street Transportation: Over 20 years, the City will collect approximately \$16,000,000 plus interest on and the costs of issuing bonds.
3. Public Safety Improvements: Over 20 years, the City will collect approximately \$10,000,000 plus interest on and the costs of issuing bonds.

WHEREAS, the Local Tax Act authorizes the imposition of the Local Taxes if permitted by special law of the Minnesota Legislature; and

WHEREAS, the Local Tax Act requires a political subdivision to wait one year after the expiration or termination of a local tax before imposing a new tax, but the Legislature has granted extensions of existing sales taxes without the required break and continuation of the Local Taxes is more efficient and less disruptive from an administrative perspective to local businesses, the City, and the Minnesota Department of Revenue; and

WHEREAS, the Local Tax Act requires the City to pass a resolution authorizing such a local tax and to obtain Legislative approval prior to approval by the local voters to enact the local tax.

THEREFORE, BE IT RESOLVED the following:

1. The Council supports the extension of the authority to impose a general local sales tax of *one-half of one percent (0.50%) and an excise tax of up to \$20 per motor vehicle* for a period of 20 years to fund the Current Projects.
 - a. The extended sales tax collection for the Current Projects will begin immediately following collection of sufficient revenues to pay for the 2006 Designated Projects and the 2014 Designated Projects under the prior Special Legislation.
 - b. Legislative authorization, along with approval by voters of the City at a general election, will allow construction of the Current Projects to begin in 2027.
 - c. Interest on bonds or other obligations to be issued by the City to finance the Current Projects is anticipated to be financed by such bonds or paid with local funds until the extended sales tax collection begins.
2. Upon approval of this resolution, the City will submit the adopted resolution and documentation of regional significance to the chairs and ranking minority members of the House and Senate Taxes committees for approval and passage of a special law authorizing the tax, by January 31, 2026, which is the year in which the City is seeking the special law.
3. Upon Legislative approval and passage of the special law authorizing the Local Taxes, the City will adopt a resolution accepting the new law, which will be filed with a local approval certificate to the Office of the Secretary of State before the following Legislative session.
4. The City will put one or more detailed ballot questions, which includes separate questions for each of the Current Projects, on a general election ballot for local voter approval of the imposition of the sales tax within two years of receiving legislative authority.
5. If one or more ballot questions pass, the City will also pass an ordinance imposing the tax and notify the Commissioner of the Department of Revenue at least 90 days before the first day of the calendar quarter that the tax will be imposed.
6. Upon completion of the aforementioned requirements, the Local Taxes will commence and run 20 years or until a sum sufficient to fund the voter approved projects plus amounts sufficient to pay interest on and the costs of issuing any bonds, is raised, whichever comes first.

7. The Council further finds that it is in the best interest of the health, welfare, and safety of the City and its residents and it is necessary and expedient to the sound financial management of the affairs of the City that the acquisition and betterment of the Current Projects, or any part thereof, be financed in whole or in part by the issuance and sale of the City's general obligation bonds pursuant to Minnesota Statutes, Chapter 475, as amended, in one or more series in an aggregate principal amount not to exceed \$77,000,000 plus an amount equal to interest and the costs of the issuance of any bonds. The City may accept an offer to purchase the Bonds, and the City may sell the Bonds, at a price that results in the receipt of original issue premium in any amount.
8. If approved by the Legislature, the Council further authorizes the amount and duration of the Local Taxes to increase by any increase in total cost per project up to 3% above the amounts set forth herein and by an additional period extended by up to 10 years if necessary to cover the increased cost per project authorized herein, but in no case will total duration exceed 30 years.

Approved by the City Council of the City of Baxter, Minnesota this 6th day of January 2026.

CITY OF BAXTER, MINNESOTA

Darrel L. Olson
Mayor

Attest:

Kelly Steele
Assistant City Administrator/City Clerk

EXHIBIT A
SUPPORTING DOCUMENTATION

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